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## **DEPARTMENT OF ENERGY**

### **Western Area Power Administration**

#### **Pick-Sloan Missouri Basin Program--Eastern Division-Rate Order No. WAPA-170**

**AGENCY:** Western Area Power Administration, DOE.

**ACTION:** Notice of Proposed Transmission and Ancillary Services Formula Rates.

**SUMMARY:** The Western Area Power Administration (Western), a power marketing administration within the Department of Energy (DOE), is proposing new formula transmission and ancillary services rates for the Pick-Sloan Missouri Basin Program--Eastern Division (P-SMBP--ED). The proposed formula rates would become effective October 1, 2015, and remain in effect until September 30, 2020, or until Western changes the formula rates through another public rate process pursuant to 10 CFR part 903, whichever is sooner. Western's Upper Great Plains Region (Western-UGP) has joined the Southwest Power Pool (SPP) Regional Transmission Organization (RTO) contingent upon Federal Energy Regulatory Commission (FERC) approval of Western-UGP's negotiated provisions in the SPP Membership Agreement, Bylaws, and Tariff (SPP Governing Documents). Transmission and ancillary services will be provided over Western-UGP facilities under the SPP Open Access Transmission Tariff (Tariff) by SPP as the transmission service provider upon Western-UGP transferring functional control to SPP. Western-UGP needs to adopt new formula rates for these transmission and ancillary services so Western-UGP's costs can be recovered under the SPP Tariff. These formula rates will provide Western sufficient revenue to pay all annual costs, including interest expenses, and repay required investments within the allowable periods. Western-UGP's membership in SPP and the functional control of its facilities will be in accordance with the SPP Governing

Documents and other contractual arrangements with SPP. Publication of this Federal Register notice begins the formal process for the proposed rates.

**DATES:** The consultation and comment period begins today and will end [**INSERT DATE 90 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER**]. Western will present a detailed explanation of the proposed rates at public information forums that will be held on November 19, 2014, from 9 a.m. to 12 p.m. CST in Omaha, Nebraska, and November 20, 2014, from 9 a.m. to 12 p.m. CST in Fargo, North Dakota. Western will accept written comments any time during the 90-day consultation and comment period. Western will also accept oral and written comments at public comment forums that will be held on December 17, 2014, from 9 a.m. to 12 p.m. CST in Omaha, Nebraska, and December 18, 2014, from 9 a.m. to 12 p.m. CST in Fargo, North Dakota.

**ADDRESSES:** The public information forums and public comment forums will be held at the Holiday Inn Downtown Omaha, located at 1420 Cuming Street, Omaha, Nebraska, and at the Ramada Plaza & Suites and Conference Center, located at 1635 42nd Street South, Fargo, North Dakota, on the dates cited above. Written comments should be sent to: Mr. Robert J. Harris, Regional Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, Billings, MT 59101-1266; or email: [UGPTRates@wapa.gov](mailto:UGPTRates@wapa.gov). Written comments may also be faxed to: (406) 255-2900, attention: Linda Cady-Hoffman, Rates Manager.

Western will post information about the rate process on its website at:

<http://www.wapa.gov/ugp/rates/default.htm>. Western will also post official comments received via letter, fax, and email to this website. Written comments must be received by the end of the consultation and comment period to ensure they are considered in Western's decision process.

**FOR FURTHER INFORMATION CONTACT:** Mr. Lloyd Linke, Operations Manager,

Upper Great Plains Region, Western Area Power Administration, 1330 41st Street, Watertown, SD, 57201; telephone: (605) 882-7500; email: [Lloyd@wapa.gov](mailto:Lloyd@wapa.gov); or Ms. Linda Cady-Hoffman, Rates Manager, Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, Billings, MT 59101-1266; telephone: (406) 255-2920; email: [cady@wapa.gov](mailto:cady@wapa.gov).

**SUPPLEMENTARY INFORMATION:** On November 1, 2013, Western published a Notice of Recommendation to Pursue Regional Transmission Organization Membership.<sup>1</sup> Western-UGP has signed a Membership Agreement enabling it to join SPP, and the membership application is currently before FERC for approval. The Western-UGP transmission facilities in the P-SMBP--ED are currently integrated with transmission facilities of Basin Electric Power Cooperative and Heartland Consumers Power District such that transmission services are provided over an Integrated System (IS). The IS includes approximately 9,848 miles of transmission lines, with transmission and ancillary services provided under Western's Open Access Transmission Tariff, and Western-UGP serving as the IS administrator. The IS includes transmission facilities located in both the Eastern and Western Interconnections separated by the Miles City DC tie and the Fort Peck Power Plant substation. Western-UGP also currently operates two Balancing Authority Areas within the IS; Western Area Power Administration, Upper Great Plains West (WAUW), and Western Area Power Administration, Upper Great Plains East (WAUE), which are also separated by the Miles City DC tie and the Fort Peck Power Plant substation. Western-UGP's existing rate schedules consist of separate rates for firm and non-firm transmission service and ancillary services rates for the transmission facilities in the P-SMBP--ED.

Existing Rate Schedules UGP-NT1, UGP-FPT1, UGP-NFPT1, UGP-AS1, UGP-AS2, UGP-

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<sup>1</sup> 78 FR 65641, November 1, 2013.

AS3, UGP-AS4, UGP-AS5, UGP-AS6, UGP-AS7, and UGP-TSP1 were approved under Rate Order Nos. WAPA-144 and WAPA-148<sup>2</sup> for a 5-year period beginning on January 1, 2010, and ending December 31, 2014. These rates are being extended through December 31, 2016, under a separate public process.<sup>3</sup> Upon achieving final FERC approval of membership within SPP and transferring functional control of Western-UGP's P-SMBP--ED facilities to SPP, Western-UGP will merge its WAUE in the Eastern Interconnection into SPP's Balancing Authority Area. P-SMBP--ED transmission services will no longer be available on the IS under Western's Open Access Transmission Tariff, and the existing Rate Schedules UGP-NT1, UGP-FPT1, UGP-NFPT1, UGP-AS1, UGP-AS2, UGP-AS3, UGP-AS4, UGP-AS5, UGP-AS6, UGP-AS7, and UGP-TSP1 will not be applicable. Western-UGP will, however, retain operation of the WAUW in the Western Interconnection as the Balancing Authority (BA), and will not place the portion of its transmission system located in the Western Interconnection into SPP's Integrated Marketplace.

Western-UGP needs to adopt new formula rates for use under the SPP Tariff. The adoption of new formula rates is necessary so that Western may recover its revenue requirement of eligible transmission facilities under SPP's Tariff. Western-UGP is proposing a formula rate to calculate its Annual Transmission Revenue Requirement (ATRR) for its transmission facilities located in both the Eastern and Western Interconnections that are to be transferred to the functional control of SPP and used by SPP to provide transmission service in the joint-owner Upper Missouri Zone (UMZ or Zone 19) under the SPP Tariff.

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<sup>2</sup> Rate Order Nos. WAPA-144 and WAPA-148, approved on an interim basis, 74 FR 68820, December 29, 2009; approved and confirmed by FERC on a final basis, 132 FERC ¶61,257, FERC Docket No. EF10-3-000, September 23, 2010.

<sup>3</sup> Rate Order No. WAPA-168, 79 FR 46798, August 11, 2014.

Western-UGP is also proposing a formula rate schedule WAUGP-AS1 for Scheduling, System Control, and Dispatch Service (SSCD) for the SPP UMZ, which will include the transmission facilities in the WAUW. Additionally, Western-UGP is proposing formula rate schedules to calculate charges for applicable ancillary services associated with its WAUW in the Western Interconnection. These formula rate schedules include WAUW-AS3 for Regulation and Frequency Response Service, WAUW-AS4 for Energy Imbalance Service, WAUW-AS5 for Operating Reserve – Spinning Reserve Service, WAUW-AS6 for Operating Reserve – Supplemental Reserve Service, and WAUW-AS7 for Generator Imbalance Service. The proposed rate schedules contain formula-based rates that will be recalculated annually. Western-UGP intends for the proposed formula-based rates to go into effect October 1, 2015, and remain in effect until September 30, 2020. Annual recalculated charges under the formula-based rates are proposed to go into effect on January 1, 2016, and annually on January 1 thereafter.

### **Proposed Formula Transmission Rates**

Consistent with Western-UGP's current formula rates, Western-UGP proposes to recover its transmission system related expenses and investments on a current (forward-looking) basis by using projections to estimate transmission costs for the upcoming year, with a "true up" in a subsequent year. For transmission service provided by SPP under SPP's Tariff, Western-UGP will provide its ATRR to SPP for calculation of charges for transmission service in the joint-owner UMZ. SPP will utilize zonal and regional load and other applicable information, including additional annual transmission revenue requirements from other transmission owners with transmission facilities in the joint-owner UMZ, to calculate the applicable charges for SPP transmission service in the UMZ. The ATRR is derived by annualizing Western-UGP's transmission investment and adding transmission-related annual costs, including operation and

maintenance, interest, administrative and general costs, and depreciation. Western-UGP cost data will be submitted to SPP in standard revenue requirement templates. The annual costs are reduced by revenue credits received by Western-UGP under the SPP Tariff. A revenue requirement template will be used to calculate the ATRR utilizing the cost estimates as data inputs.

Western-UGP will “true-up” the cost estimates with Western-UGP’s actual costs. Revenue collected in excess of Western-UGP’s actual net revenue requirement will be returned to customers through a credit against rates in a subsequent year. Actual revenues that are less than the net revenue requirement would likewise be recovered in a subsequent year. The true-up procedure will ensure that Western-UGP will recover no more and no less than the actual transmission costs for the year.

Data used in the annual recalculation of the formula rate effective on January 1 each year will be made available for review and comment on or shortly after September 1 each year. Western proposes providing customers the opportunity to discuss and comment on the recalculated rates on or before October 31, 2015, and October 31 of subsequent years. This procedure will ensure that interested parties are aware of the data used to calculate the rates. This will also provide interested parties the opportunity to comment before the costs are collected through the formula rate.

### **Proposed Formula Rate for SSCD Service**

Western-UGP proposes a formula-based rate methodology to calculate its annual revenue requirement for SSCD on a current (forward-looking) basis by using projections to estimate transmission costs for the upcoming year, with a “true up” in a subsequent year, to be provided to SPP for inclusion in Schedule 1 under the SPP Tariff. SSCD is required to schedule the

movement of power through, out of, within, or into the SPP and/or WAUW Balancing Authority Area(s). Western-UGP's annual revenue requirement for SSCD, reduced by any portion assessed specifically to the loads in the WAUW, will be utilized by SPP to calculate the regional SPP Schedule 1 rate for SPP through and out transactions, and also to calculate the zonal SPP Schedule 1 rate for the UMZ. Western-UGP's annual revenue requirement for SSCD is derived by annualizing Western-UGP's applicable transmission-related annual costs associated with the provision of SSCD service, including operation and maintenance, interest, administrative and general costs, and depreciation. A portion of this revenue requirement may be assessed to the loads in the WAUW. This rate and rate design only recovers Western-UGP's revenue requirement for SSCD service.

Western-UGP will "true-up" the cost estimates with Western-UGP's actual costs. Revenue collected in excess of Western-UGP's actual net revenue requirement will be returned to customers through a credit against rates in a subsequent year. Actual revenues that are less than the net revenue requirement would likewise be recovered in a subsequent year. The true-up procedure will ensure that Western-UGP will recover no more and no less than the actual costs for the year.

### **Proposed Formula Rate for Regulation and Frequency Response Service**

Western-UGP proposes a formula-based rate methodology for Regulation and Frequency Response Service for the WAUW as described below. Given the SPP Integrated Marketplace will not be extended into the Western Interconnection, Western-UGP will need to provide Regulation and Frequency Response Service in the WAUW as the BA. Regulation and Frequency Response Service in the WAUW is provided primarily by United States Army Corps of Engineers (Corps) facilities. The Corps' generation fixed charge rate (in percent) is applied to

the net plant investment of the Corps generation producing an annual Corps generation cost. This cost is divided by the capacity at the plants to derive a dollar-per-megawatt amount for Corps installed capacity (\$/MW-year). This dollar-per-megawatt amount is then applied to the capacity of Corps generation reserved for Regulation and Frequency Response Service in the WAUW producing the annual Corps generation cost to provide this service. Western-UGP's annual revenue requirement for Regulation and Frequency Response Service is then determined by taking the annual Corps generation cost to provide this service and adding costs associated with the purchase of power resources to provide Regulation and Frequency Response Service to support intermittent renewable resources as described below. Western-UGP's annual revenue requirement would be recovered under the SPP Tariff.

Western supports the installation of renewable sources of energy but recognizes that certain operational constraints exist in managing the significant fluctuations that are a normal part of their operation. Western has marketed the maximum practical amount of power from each of its projects, leaving little or no flexibility for provision of additional power services. Consequently, provided that Western-UGP is able to purchase additional power resources delivered into its WAUW to provide Regulation and Frequency Response Service to intermittent renewable generation resources serving load within Western-UGP's WAUW, costs for these regulation resources will become part of Western-UGP's Regulation and Frequency Response Service charges. However, Western-UGP will not regulate for the difference between the output of an intermittent generator located within Western-UGP's WAUW and a delivery schedule from that generator serving load located outside of Western-UGP's WAUW. Intermittent generators serving load outside Western-UGP's WAUW will be required to pseudo-tie or dynamically schedule their generation to another Balancing Authority Area. An intermittent resource, for the



limited purpose of these Rate Schedules, is an electric generator that is not dispatchable and cannot store its fuel source, and therefore cannot respond to changes in system demand or respond to transmission security constraints.

### **Proposed Rate for Energy Imbalance Service**

Energy Imbalance Service is provided when a difference occurs between the scheduled and the actual delivery of energy to a load located within Western-UGP's WAUW over a single hour. Given the SPP Integrated Marketplace will not be extended into the Western Interconnection, Western-UGP will need to provide Energy Imbalance Service in the WAUW as the BA. Western-UGP will offer this service, to the extent that it is feasible to do so from its own resources or from resources available to it, when transmission service is provided by SPP and used to serve load within its WAUW. The transmission customer must either purchase this service or make alternative comparable arrangements pursuant to the SPP Tariff to satisfy its Energy Imbalance Service obligation. A transmission customer may be charged a penalty for either hourly energy imbalances under this Rate Schedule, WAUW-AS4, or hourly generator imbalances under Rate Schedule WAUW-AS7 for imbalances occurring during the same hour, but not both, unless the imbalances aggravate rather than offset each other.

Western-UGP proposes that charges for service within WAUW be based on deviation bands as follows: (i) deviations within +/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of transmission customer's scheduled transaction(s) will be netted on a monthly basis and settled financially, at the end of the month, at 100 percent of the average incremental cost for the month; (ii) deviations greater than +/- 1.5 percent up to 7.5 percent (or greater than 2 MW up to 10 MW) of the scheduled transaction(s) to be applied hourly to any energy imbalance that occurs as a result of

transmission customer's scheduled transaction(s) will be settled financially, at the end of each month, at 110 percent of incremental cost when energy taken by the transmission customer in a schedule hour is greater than the energy scheduled or 90 percent of incremental cost when energy taken by a transmission customer in a schedule hour is less than the scheduled amount; and (iii) deviations greater than +/- 7.5 percent (or 10 MW) of the scheduled transaction to be applied hourly to any energy imbalance that occurs as a result of the transmission customer's scheduled transaction(s) will be settled financially, at the end of each month, at 125 percent of the highest incremental cost that occurs that day for energy taken by the transmission customer in a scheduled hour that is greater than the energy scheduled, or 75 percent of the lowest incremental cost that occurs that day when energy taken by a transmission customer is less than the scheduled amount.

Western-UGP's incremental cost will be based upon a representative hourly energy index or combination of indexes. The index to be used will be posted on Western-UGP's homepage on SPP's Open Access Same-Time Information System (OASIS) at least 30 days prior to use for determining the Western-UGP incremental cost and will not be changed more often than once per year unless Western-UGP determines that the existing index is no longer a reliable price index.

#### **Proposed Formula Rates for Operating Reserves Service – Spinning and Supplemental**

Given the SPP Integrated Marketplace will not be extended into the Western Interconnection, Western-UGP will need to provide Operating Reserve – Spinning Reserve Service and Operating Reserve – Supplemental Reserve Service in the WAUW as the BA. Western-UGP will offer this service under a formula-based rate methodology for Spinning Reserve Service and Supplemental Reserve Service (Reserve Services); except that Western-UGP will substitute the reserve

requirement of the reserve sharing group under which Western-UGP is currently a member for its transmission system in the Western Interconnection.

Western-UGP's annual cost of generation for Reserve Services is determined by multiplying the Corps' generation fixed charge rate (in percent) by the net plant investment of the Corps generation producing an annual Corps generation cost. This cost is divided by the capacity at the plants to derive a dollar-per-megawatt amount for Corps installed capacity (\$/MW-year). This dollar-per-megawatt amount is then applied to the capacity of Corps generation reserved for Reserve Services in the WAUW producing the annual Corps generation cost to provide this service. Western-UGP's annual revenue requirement for Reserve Services is then determined by taking the annual Corps generation cost to provide this service and adding costs associated with the current reserve sharing group, if applicable. Western-UGP's annual revenue requirement would be recovered under the SPP Tariff. This rate design recovers only Western-UGP's revenue requirement associated with Reserve Services.

Western-UGP has no long-term reserves available beyond its own internal requirements. At a customer's request, and if it is capable of doing so, Western-UGP will acquire needed resources and pass the costs, plus an amount for administration, on to the requesting customer. The customer is responsible to provide the transmission to deliver these reserves. In the event that Reserve Services are called upon for emergency use, Western-UGP will assess a charge for energy used at the prevailing market energy rate in the WAUW.

### **Proposed Rate for Generator Imbalance Service**

Generator Imbalance Service is provided when a difference occurs between the output of a generator located within Western-UGP's WAUW and a delivery schedule from that generator to: (1) another Balancing Authority Area or (2) a load within Western-UGP's WAUW over a single

hour. Given the SPP Integrated Marketplace will not be extended into the Western Interconnection, Western-UGP will need to provide Generator Imbalance Service in the WAUW as the BA. Western-UGP will offer this service, to the extent that it is feasible to do so, from its own resources or from resources available to it, when transmission service is used to deliver energy from a generator located within its WAUW. The transmission customer must either purchase this service, or make alternative comparable arrangements pursuant to the SPP Tariff, to satisfy its Generator Imbalance Service obligation. A transmission customer may be charged a penalty for either hourly generator imbalances under this Schedule, WAUW-AS7, or hourly energy imbalances under Rate Schedule WAUW-AS4 for imbalances occurring during the same hour, but not both, unless the imbalances aggravate rather than offset each other.

Western supports the installation of renewable sources of energy but recognizes that certain operational constraints exist in managing the significant fluctuations that are a normal part of their operation. Western has marketed the maximum practical amount of power from each of its projects, leaving little or no flexibility for provision of additional power services. Consequently, Western-UGP will not regulate for the difference between the output of an intermittent generator located within Western-UGP's WAUW and a delivery schedule from that generator serving load located outside of Western-UGP's WAUW. Intermittent generators serving load outside Western-UGP's WAUW will be required to pseudo-tie or dynamically schedule their generation to another Balancing Authority Area. An intermittent resource, for the limited purpose of these schedules, is an electric generator that is not dispatchable and cannot store its fuel source, and therefore cannot respond to changes in system demand or respond to transmission security constraints.

Western-UGP proposes to base the rate on deviation bands as follows: (i) deviations within

+/- 1.5 percent (with a minimum of 2 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of transmission customer's scheduled transaction(s) will be netted on a monthly basis and settled financially, at the end of the month, at 100 percent of the average incremental cost; (ii) deviations greater than +/- 1.5 percent up to 7.5 percent (or greater than 2 MW up to 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of transmission customer's scheduled transaction(s) will be settled financially, at the end of each month. When energy delivered in a schedule hour from the generation resource is less than the energy scheduled, the charge is 110 percent of incremental cost. When energy delivered from the generation resource is greater than the scheduled amount, the credit is 90 percent of the incremental cost; and (iii) deviations greater than +/- 7.5 percent (or 10 MW) of the scheduled transaction to be applied hourly to any generator imbalance that occurs as a result of the transmission customer's scheduled transaction(s) will be settled at 125 percent of Western-UGP's highest incremental cost for the day when energy delivered in a schedule hour is less than the energy scheduled or 75 percent of Western-UGP's lowest daily incremental cost when energy delivered from the generation resource is greater than the scheduled amount. As an exception, an intermittent resource will be exempt from this deviation band and will pay the deviation band charges for all deviations greater than the larger of 1.5 percent or 2 MW.

Deviations from scheduled transactions in order to respond to directives by the transmission service provider, a BA or a reliability coordinator shall not be subject to the deviation bands identified above and, instead, shall be settled financially, at the end of the month, at 100 percent of incremental cost. Such directives may include instructions to correct frequency decay, respond to a reserve sharing event, or change output to relieve congestion.

Western-UGP's incremental cost will be based on a representative hourly energy index or combination of indexes. The index to be used will be posted on Western-UGP's homepage on SPP's OASIS at least 30 days prior to use for determining the Western-UGP incremental cost and will not be changed more often than once per year unless Western-UGP determines that the existing index is no longer a reliable price index.

### **Legal Authority**

Since the proposed rates constitute a major rate adjustment as defined by 10 CFR part 903, Western will hold both public information forums and public comment forums. After review of public comments, Western will take further action on the proposed formula rates consistent with 10 CFR part 903.

Western is establishing transmission and ancillary services formula rates for the P-SMBP--ED under the DOE Organization Act (42 U.S.C 7152); the Reclamation Act of 1902 (ch. 1093, 32 Stat. 388), as amended and supplemented by subsequent laws, particularly section 9(c) of the Reclamation Project Act of 1939 (43 U.S.C. 485h(c)); section 5 of the Flood Control Act of 1944 (16 U.S.C. 825s); and other acts that specifically apply to the project involved.

By Delegation Order No. 00-037.00A, effective October 25, 2013, the Secretary of Energy delegated: (1) the authority to develop power and transmission rates to Western's Administrator; (2) the authority to confirm, approve, and place such rates into effect on an interim basis to the Deputy Secretary of Energy; and (3) the authority to confirm, approve, and place into effect on a final basis, to remand, or to disapprove such rates to FERC. Existing DOE procedures for public participation in power and transmission rate adjustments (10 CFR part 903) were published on September 18, 1985 (50 FR 37837).

### **Availability of Information**

All brochures, studies, comments, letters, memorandums, or other documents that Western initiates or uses to develop the proposed rates are available for inspection and copying at the Upper Great Plains Region, Western Area Power Administration, 2900 4th Avenue North, Billings, Montana. Many of these documents are also available on Western's website at: <http://www.wapa.gov/ugp/rates/default.htm>.

## **RATEMAKING PROCEDURE REQUIREMENTS:**

### **Environmental Compliance**

In compliance with the National Environmental Policy Act (NEPA) of 1969, 42 U.S.C. 4321-4347; the Council on Environmental Quality Regulations for implementing NEPA (40 CFR parts 1500-1508); and DOE NEPA Implementing Procedures and Guidelines (10 CFR part 1021), Western is in the process of determining whether an environmental assessment or an environmental impact statement should be prepared or if this action can be categorically excluded from those requirements.

### **Determination Under Executive Order 12866**

Western has an exemption from centralized regulatory review under Executive Order 12866; accordingly, no clearance of this notice by the Office of Management and Budget is required.

Dated: October 24, 2014

Mark A. Gabriel  
Administrator

**[FR Doc. 2014-26042 Filed 10/31/2014 at 8:45 am; Publication Date: 11/03/2014]**